

Market Update

In this issue

- Market update
- Our view
- Sector valuation
- VEMF SICAV (UCITS-compliant fund)

Vietnam stock market experienced sharp corrections in October following global market turbulence. The VN-Index slumped 10.1% MoM in local currency, ending the month at 914.76 points. Stocks tumbled across all sectors, led by banking, oil & gas, and diversified financials. Similarly, the HXN-Index plunged 9.4% MoM to 105.35 points at month-end. Market liquidity saw an improvement this month, as the combined average daily trading value (HSX, HNX, UPCoM) jumped to nearly USD270 million, up 8.1% MoM. Foreign investors kept being net buyers this month, with a substantial net foreign inflows of USD390.2 million, mainly supported by a put-through trade of MSN treasury shares worth about USD470million on October 2.

Sector performance, trade balance and FDI disbursement all remained favorable. Inflation slowed down in October.

Positive performance across sectors continued in October, led by robust expansion of manufacturing and retail sales. Remarkably, the Vietnam PMI advanced to 53.9 in October from a ten-month low of 51.5 in September, demonstrating an impressive enhancement in the manufacturing sector. This was primarily attributable to a significant acceleration in output and new exports orders amid companies' expansion into new markets and greater client bases. As for retail sector, YTD real retail sales climbed 9.31% YoY vs. last year's 8.79% YoY, partly thanks to continued solid growth in international tourist arrivals of 17.6% YoY this month. Arrivals from China and South Korea contributed the largest share to total inbound volume over January – October period, surging 28.8% YoY and 48.3% YoY, respectively. On trade front, Vietnam reported a small trade surplus of USD100 million in October, bringing the country's YTD trade surplus to USD6.4 billion, compared to a surplus of USD2.56 billion in the same

period last year. As regards foreign investment, in 10M2018, while disbursed FDI maintained its upturn, reaching USD15.1 billion (+6.3% YoY), FDI pledges declined modestly by 1.2% to USD27.9 billion. Concerning inflation, CPI inched up 0.33% in October and average 10M2018 figure recorded at 3.6% YoY versus the Government's target of 4% in FY2018.

The European Commission adopted the EU – Vietnam Free Trade Agreement (EVFTA), paving the way for its final signature and enforcement.

The EVFTA was adopted by the European Commission on October 17, reaching one step closer towards the official signing of the deal which would enter into force in early 2019. Once it is officially put in operation, the European Union (EU) will remove roughly 85.6% of tariff lines on Vietnamese exports to the EU immediately and eliminate import duties on 99.2% of tariff lines over the subsequent 7 years, which are equivalent to 70.3% and 99.7%, respectively, of Vietnam's export turnover to the EU. For the remaining 0.3% exports, the EU will abolish duties through limited zero-

duty quotas, known as tariff rate quotas (TRQs). Similarly, Vietnam will remove 48.5% of tariff lines on EU exports to Vietnam (equivalent to 65% of import duties on EU exports to Vietnam) immediately, with the remainder being eventually eliminated in the following 10 years. The EVFTA will lead to a gradual elimination of 99% of all tariffs across a range of products, such as mobiles phones & components, electronics/PCs, textiles & garments, footwear, fishery, fruits & vegetables, and plastic products, etc.. The EU was the fifth-largest foreign investor in Vietnam with almost 2,500 projects worth around USD44 billion as of 2017. Trade in goods between Vietnam and the EU amounted to approximately USD50.46 billion last year, of which Vietnam's exports to the EU reached USD38.27 billion, accounting for 17.8% of the country's overall export turnover, while its imports from the EU totaled USD12.19 billion, representing 5.7% of the national imports.

Our comment

The Vietnam economy was able to keep its growth momentum amidst rising global trade tensions. In fact, Vietnam's PMI in October bucked the regional trend when soaring to 53.9 while Korea declined to 51, Taiwan 48.7, Thailand 48.9, Indonesia 50.5, and China was almost flat at 50.1, as they started to feel impact of trade tensions. Having said that, the US-China trade war is likely to see more companies relocating their production to Southeast Asia countries including Vietnam and several sectors will benefit from this movement in coming time. Despite the economy's intact fundamentals, the stock market was adversely affected by external factors during the month. Rising uncertainties in the global trade environment, the IMF's downgrading of global growth prospects, the recent slowdown in Chinese economy, and steeper pace of Fed rate hikes, etc., seemed to outweigh favorable internal factors. At the time of this writing, the Vietnam Government has been discussing on ratification of CPTPP, after this agreement was officially adopted by six countries comprising New Zealand, Mexico, Japan, Singapore, Canada and Australia. The CPTPP, which would become effective on December 30, 2018, could boost Vietnam's GDP by 1.1% by 2030 by World Bank's estimates under conservative assumptions.

Sector Valuation

Industry group	Weight %	1M %	3M %	YTD %	PE	P/B	Dvd Yield	ROE	Net Margin	Net D/E
Vietnam Market	100.0	-10.1	-4.4	-7.1	22.5	4.2	2.9	24.3	16.4	4.1
Automobiles & Components	0.4	-8.3	-3.0	-13.5	15.9	1.5	10.1	4.5	1.5	0.9
Banks	24.3	-11.9	-3.0	-4.4	17.0	2.0	2.4	11.2	10.4	14.5
Capital Goods	2.7	-10.5	-8.0	-47.1	11.7	1.9	4.1	9.8	5.9	0.4
Commercial Services & Supplies	0.5	-13.6	-14.8	-10.7	11.7	1.7	2.5	18.4	8.4	0.2
Consumer Durables & Apparel	0.3	-10.2	5.3	-23.1	8.6	1.6	4.9	-11.7	3.6	0.8
Consumer Services	0.2	-2.7	-3.0	-22.5	16.0	1.8	-	16.4	27.1	0.4
Diversified Financials	3.8	-12.7	-2.8	-6.1	10.5	7.4	0.1	20.0	37.8	0.9
Energy	12.4	-12.5	11.5	10.0	20.4	4.4	3.4	16.7	10.1	0.1
Food & Staples Retailing	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	14.1	-9.2	-15.3	-25.3	21.7	7.2	3.4	34.9	15.3	0.1
Health Care Equipment & Services	0.0	7.7	1.2	-32.9	18.9	0.2	-	5.7	12.0	0.4
Household & Personal Products	0.2	-6.7	-0.7	-24.5	7.2	1.2	6.1	19.2	7.4	1
Insurance	2.7	-1.5	17.4	40.1	40.2	4.8	1.3	12.3	7.4	-
Materials	4.2	-7.6	4.1	-13.2	6.6	1.6	3.3	26.6	14.4	0.5
Pharmaceuticals & Biotechnology	0.9	-10.6	-9.2	-20.4	14.6	3.0	3.8	19.5	12.6	0.2
Real Estate	22.7	-16.6	-20.0	11.9	46.0	6.2	2.3	7.8	8.5	0.9
Retailing	4.9	-20.0	-16.2	-17.4	14.4	4.9	1.7	27.9	4.5	0.7
Software & Services	1.2	-4.7	4.1	-22.7	7.3	1.6	5.0	11.7	3.4	0.4
Technology Hardware & Equipment	0.0	1.3	-11.2	-32.8	22.4	-	-	-	-	-
Telecommunication Services	0.0	-0.7	-8.3	-13.3	11.4	0.6	-	23.3	7.5	0.4
Transportation	3.8	-9.4	-6.3	-12.2	9.1	4.5	1.3	55.4	12.4	0.6
Utilities	1.0	-4.8	-1.3	-4.6	8.5	1.4	6.0	17.6	31.0	0.7

* It is generated by VAM in-house Company Analysis System - VCAS, comprising of both bourses and based on VAM covered universe, as of Oct 31st 2018

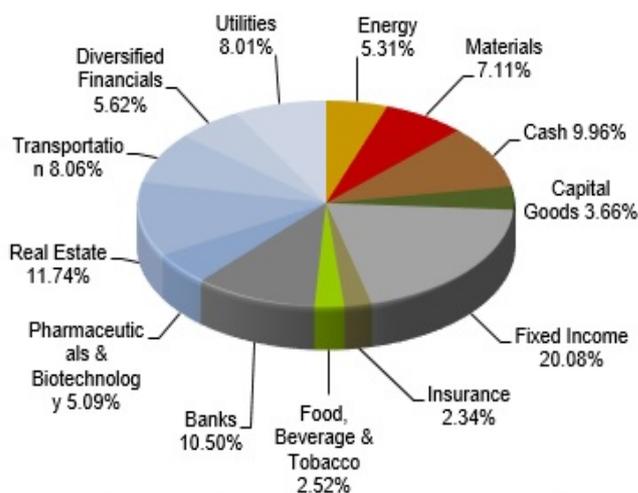
Vietnam Emerging Market Fund SICAV (VEMF SICAV)

	Class A	Class B	Class C
Inception date	19 Jun, 2014	31 Jul, 2014	05 Aug, 2016
NAV per share	EUR 1189.90	EUR 1144.83	USD 1026.28
MoM change	-7.96%	-8.00%	-10.44%
YTD change	-7.58%	-8.11%	-12.04%
Since inception	18.99%	14.48%	2.63%
Bloomberg	IPCVEMA LX	IPCVEMB LX	IPCVEMC LX
ISIN	LU1042536018	LU1042536281	LU1218444351
Securities No.	A1XE8U	A1XE8V	A14RPQ

VEMF SICAV is a Luxemburg-incorporated UCITS compliant open-ended fund with daily subscription and redemption. The fund invests in public listed equities and equity-related securities in Vietnam, on an actively-managed basis.

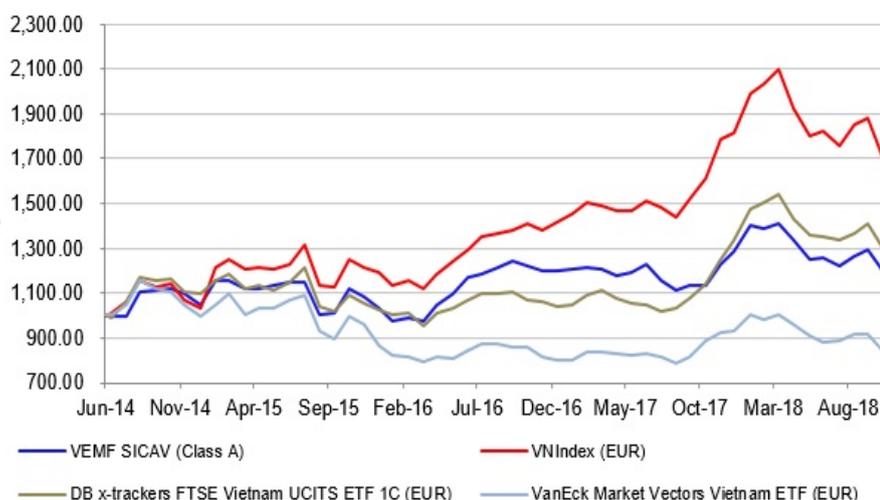
In Oct, the Fund decreased 7.96% MoM, outperformed the VN-Index by 2.09%, outperformed the DB x-trackers FTSE Vietnam UCITS ETF 1C by 0.5% and outperformed the Van Eck Market Vectors Vietnam ETF by 0.5% (all in EUR term).

Sector Breakdown



Source: Union Investment Financial Services S.A.

Performance of VEMF SICAV Class A vs. VN-Index (EUR)



Source: Bloomberg, HOSE, VAM, HSBC exchange rate

Disclaimer:

The current Sales Prospectus, the Key Investor Information Document (KIID), the Articles of Association as well as the annual and semi-annual reports of the Vietnam Emerging Market Fund SICAV ("the Fund") are the sole binding basis for the purchase of fund shares. These documents can be obtained in English and free of charge from the Fund Manager's website (www.vietnamam.com) and the Management Company's website (www.ipconcept.com).

This document is prepared by Vietnam Asset Management Ltd ("VAM") on the basis of information obtained from sources VAM considered to be reliable, but VAM does not make any representation or warranty, express or implied, as to its accuracy, completeness, timeliness or correctness. The information contained in this document is for background purposes only and is subject to updating, revision and amendment, and no liability whatsoever is accepted by VAM or any other person, in relation thereto. Please refer to the Fund's prospectus for more information on the Fund and its risks. This document is neither a prospectus nor an offer or invitation to apply for shares and neither this document nor anything contained herein shall form the basis of any contract of commitment whatsoever. Past performance is not necessarily a guide to the future. The value of shares in the Fund and the income derived there from may go down as well as up. You are advised to exercise caution in relation to this document. If you are in any doubt about this document or any information contained in this document, you should obtain independent professional advice. This report shall not be a substitute for the exercise of the recipient's judgment in making an investment decision and VAM accepts no liability for investment losses.

VAM, its affiliates, related companies and its respective directors and employees accept no liability for any direct, special, indirect, consequential, incidental damages or any other loss or damages of any kind arising from any use of the information herein or further communication thereof, even if VAM or any other person has been advised of the possibility thereof. No part of this report may be reproduced or distributed without the prior consent of Vietnam Asset Management Limited. This report may only be distributed as permitted by applicable law.

c/o: Unit 01-A, 15th Floor, The Landmark, 5B Ton Duc Thang, Dist.1, HCMC, Vietnam,
T: +84 (28) 3910 3757 - F: +84 (28) 3910 3794 - E: bd@vietnamam.com - W: www.vietnamam.com